

TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item: 4

MEETING: 20TH FEBRUARY 2012

SUBJECT: REVENUE BUDGET 2012/2013

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY
AND THE FINANCE OFFICER**

1. PURPOSE OF THE REPORT

1.1 Initial consideration was given to the draft Revenue Budget for 2012/2013 by the Authority at its meeting held on 24th January 2012. The purpose of this report is to present for consideration and approval by Members, the Revenue Budget for 2012/2013, and to calculate the 2012/2013 Fire Authority Precept required to be levied on the District Councils in Tyne and Wear.

1.2 A more detailed report is set out in Appendix 1 for information.

2. DESCRIPTION OF DECISION

2.1 The Authority is requested to:

- a) Note the revised budget for 2011/2012 and approve the Revenue Budget for 2012/2013;
- b) Note the revised Medium Term Financial Strategy for 2011/2012 to 2014/2015; and
- c) Approve the Fire Authority Precept to be levied for 2012/2013.

3. LOCAL GOVERNMENT FINANCE SETTLEMENT 2012/2013

3.1 The Finance Settlement has now been confirmed for 2012/2013 and formula grant remains unchanged from the Provisional Settlement of £31.096m. This represents a 3.4% cash reduction in funding to that received for 2011/2012.

3.2 All other revenue grants remained unchanged.

4. REVENUE BUDGET 2012/2013

4.1 The Chief Fire Officer has undertaken a base budget review of all delegated budgets, with the intention of ensuring resources are directed at key strategic priorities in terms of developing and improving the service, as informed by the Integrated Risk Management Plan (IRMP) and the Medium Term Financial Strategy (MTFS).

4.2 The table below shows the total cuts that the Fire Authority has had to absorb in setting a balanced budget for 2012/2013:

	£m
Reduction in Grant Funding	1.095
Cost Pressures	1.357
Ongoing Budget Pressure	2.452
One-off Council Tax Freeze Grant *	(0.719)
Total	1.733

* As this is a one-off grant, it can only be used to fund one-off costs in 2012/2013.

The above cuts are in addition to £5.150m made in setting the 2011/2012 revenue budget.

4.3 After consideration of the finance settlement and the base budget of the Authority, along with efficiency proposals to be made in year, the Authority is proposing a revenue budget for 2012/2013 of £55.569 million.

5. MEDIUM TERM OUTLOOK

5.1 The Medium Term Financial Strategy (MTFS) sets out the strategic financial position and financial direction of the Authority over the next two years taking into account strategic objectives, significant government funding reductions, other resources and service pressures.

5.2 The projected budgets in 2013/2014 and 2014/2015 are based on a series of assumptions. Depending on future finance settlements, the Authority may need to consider further options to be implemented to meet the future demands placed on the budget.

6. FIRE AUTHORITY PRECEPT

6.1 The Council Tax Bases and surplus/deficit on Collection Funds have been received from the five District Councils within Tyne and Wear. The Council Tax Base for 2012/2013 is 327,453 and the net deficit on the Collection Fund is £81,298.

6.2 Taking all facts in to consideration it is possible to construct a budget which would allow the Authority to freeze Council Tax in 2012/2013 at the same levels as 2011/2012. This would result in a 'basic' Band D Council Tax of £73.16.

7. RECOMMENDATIONS

7.1 The Authority is requested to: -

- (a) note the revised estimate for 2011/2012, as summarised at Appendix A;
- (b) approve the proposed Revenue Budget for 2012/2013, as summarised at Appendix A;
- (c) note the Projected Pensions Account 2012/2013 detailed at Appendix B;
- (d) note the position on general and earmarked balances and reserves, the associated risks and their mitigation as outlined at Appendices C, D and E;
- (e) note the Medium Term Financial Strategy for 2011/2012 to 2014/2015 detailed at Appendix F;
- (f) note the Council Tax base of 327,453 for the year 2012/2013, as notified by the billing authorities within Tyne and Wear;
- (g) agree the acceptance of the Council Tax Freeze Grant and a Council Tax freeze for 2012/2013;
- (h) approve the following amounts for the Authority for the year 2012/2013 which represents a Council Tax freeze for 2012/2013, in accordance with Sections 43 and 44 of the Local Government Finance Act 1992:
 - (i) £62,700,752 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(2)(a) to (d) of the Act;
 - (ii) £7,131,985 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(3)(a) to (b) of the Act;
 - (iii) £55,568,767 - being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 43(4) of the Act, as its budget requirement for the year;
 - (iv) £31,612,306 - being the aggregate of the sums which the Authority estimates will be payable for the year into its Authority Fund in respect of redistributed Non-Domestic Rates, Revenue Support Grant and additional grant, and as decreased by the

net deficit on the Billing Authorities' Collection Funds;

(v) £73.1600 - being the amount at (iii) above, less the amount at (iv) above, divided by the Council Tax Base, calculated by the Authority in accordance with Section 44(1) of the Act, as the basic amount of its Council Tax for the year;

(vi) **Valuation Bands**

£

A	48.7733	being the amount given by multiplying the
B	56.9022	amount at (v) above by the number which, in the
C	65.0311	proportion set out in Section 5(1) of the Act, is
D	73.1600	applicable to dwellings listed in a particular
E	89.4178	valuation and divided by the number which that
F	105.6756	proportion is applicable to dwellings listed in
G	121.9333	valuation band D, calculated by the Authority in
H	146.3200	accordance with Section 36(1) of the Act, as the

amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

DETAILED REVENUE BUDGET 2012/2013

1. BUDGET CONSULTATION

- 1.1 In compliance with the Authority's statutory obligations, Members and Officers met with representatives of the North East Chamber of Commerce at the Brigade Headquarters on 8th February 2012.
- 1.2 The notes of the meeting and any response of the Chamber of Commerce will be tabled at the meeting of the Authority.
- 1.3 **It is recommended that Members take in to account the views of those consulted as they consider the Budget and Medium Term Financial Strategy proposals**

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2012/2013

- 2.1 The Provisional Local Government Finance Settlement for 2012/2013 was issued on 8th December 2011. The final settlement was confirmed on 31st January 2012 and remains unchanged.
- 2.2 The key elements of the Authority's settlement for 2012/2013 are:
 - Formula Grant totals £31.096m – this is a cash reduction of £1.095m or 3.4% in comparison to the 2011/2012 grant allocation.
 - The reduction is after allocation of floor damping of £2.673m. Without this the reduction would have been £3.859m or 12%, the largest percentage grant reduction of all Fire Authorities in the country.
 - All other revenue grants for 2012/2013 remain unchanged – Firelink £131,547 and New Dimension £991,197.
- 2.3 **It is recommended that Members note the grant settlement.**

3. REVENUE BUDGET 2012/2013

- 3.1 The 2012/2013 Revenue Budget has been set taking full account of the significant Formula Grant reductions facing the Authority this year and the ongoing implications set out in the Spending Review 2010 (SR10) period (2011/2012 to 2014/2015).
- 3.2 The Authority's 'revenue spending power' will reduce by £1.095m or 1.94% in 2012/2013 to £55.441m compared to the 2011/2012 position of £56.536m. If the Authority was to accept the Council Tax Freeze Grant for 2012/2013, the budget available for 2012/2013 would be £55.569m.
- 3.3 In recent years, the Authority has set comparatively low increases in its precept, with an increase of 1.24% in 2009/2010, 0.91% in 2010/2011 and

0% in 2011/2012. These increases were the lowest for all Fire Authorities. Considering the residents of Tyne and Wear and the current economic climate and hardships faced, the 2012/2013 Revenue Budget has been set with a proposed nil increase in council tax. Detail of this is outlined in section 6.

- 3.4 Accordingly, the Chief Fire Officer has undertaken a base budget review of all delegated budgets, with the intention of ensuring resources are directed at key strategic priorities in terms of developing and improving the service as informed by the Integrated Risk Management Plan (IRMP) and the Medium Term Financial Strategy (MTFS). The review also ensures that opportunities for generating efficiency savings are maximised.
- 3.5 Appendix A shows the summary position for the Authority and the detailed budgets. The proposed revenue budget for 2012/2013 totals £55.569 million. The presentation of the budget information is determined by the requirements of the Best Value Accounting Code of Practice as it defines best professional practice in terms of financial reporting.
- 3.6 The proposed budget makes provision for the following:

Spending Priorities

Integrated Risk Management Plan 2011-2015

- 3.7 The Integrated Risk Management Plan (IRMP) 2011-2015 has been brought in line with the Medium Term Financial Strategy to cover the same spending period. The Plan includes a series of reviews which will generate efficiencies; the potential impact of this has been built into the Medium Term Financial Strategy. These efficiencies will need to be substantial in order to address the significant funding reductions anticipated in future Local Government Finance Settlements.

Strategic Review of Fire and Rescue Cover

- 3.8 As previously reported, the Public Private Partnership Scheme is now fully operational and the significant savings envisaged at the inception of the scheme are being realised. The planned reduction of Fire Fighters by natural wastage enabled an annualised saving of £933,395 in 2010/2011. The saving in 2011/2012 will include inflationary adjustments. Future continued and further savings have been built into the base budget.

National and Regional Initiatives

- 3.9 The Medium Term Financial Strategy has been adjusted accordingly for the completed NEFRA project, taking account of the Authority's share of the costs, as well as efficiencies previously identified and captured in relation to the new facility and the staffing arrangements put in place.

- 3.10 The Government will continue to meet the capital costs of the new system for the Firelink Project, but following installation of the Firelink radio system it is expected that the ongoing revenue costs will place an additional net overall burden on all Fire and Rescue Authorities. This has not been quantified at this stage, as the final stage of the project is yet to be completed.

Review of Operational Staffing Profile

- 3.11 The Chief Fire Officer has undertaken a full review of the Authority's operational staffing profile. Assumptions in relation to the number of firefighters in the new and old firefighters pension scheme have been made and a prudent estimate has been factored in to the Revenue Budget and MTFS.

Service Pressures

- 3.12 A number of spending pressures were identified within the MTFS and have been used in the budget planning framework for 2012/2013. These include:
- Pay – will be reviewed subject to the outcome of national pay agreements;
 - General price increases – provision has been provided for general price inflation of 2%;
 - Energy prices – prudent provision has been included for continued annual increases of 9% in charges for gas, electricity and vehicle fuel;
 - LGPS deficiency payments – a prudent approach has been adopted within the MTFS for further stepped increases in the deficiency contribution to the Local Government Pension Fund to reflect the latest known position. The Authority will continue to review the position with regard to the option of making a lump-sum contribution to the Pension Fund to reduce the annual revenue payments;
 - Ill health pension awards – provision has been made for limited future ill health retirements;
 - Interest on Balances - the MTFS has been prepared on the basis that the comparatively low interest rate will continue into the foreseeable future.

Capital Programme

Capital Financing – Revenue Contribution to Capital and Fire Capital Grant

- 3.13 Revenue Contribution to Capital Outlay (RCCO) has been provided for in the Revenue Budget for 2012/2013, which will continue to provide flexibility within the funding arrangements of the Authority's Capital Programme.
- 3.14 The 2012/2013 Capital Programme is presented for Members attention elsewhere on the Agenda. In addition to the Revenue Contribution of £780,335, a contribution of £200,000 is required from the Fire Capital Grant, with the remainder of that grant being transferred to a Capital Grant Reserve in order to meet the cost of future prioritised capital schemes.

Revenue Implications

- 3.15 The Capital Programme has been reviewed in order to identify any revenue implications. It has been identified that any such increases are minimal and can be contained within the Revenue Budget as presented.
- 3.16 The Estates Development Strategy outlines a number of proposals for future development of the Authority's estate portfolio. It is proposed to fund this building programme from the Development Reserve on a phased basis. It is possible that there will be revenue implications arising from these developments which will become clearer as individual proposals are developed. At this stage, the planning assumption is that the revenue implications will, in overall terms, be resource neutral.

General Balances and Earmarked Reserves

General Balances Policy

- 3.17 In considering a prudent minimum level of balances, the Authority considers:
- known commitments against balances in future years;
 - volatile elements of service delivery, which make accurate prediction of expenditure more difficult;
 - financial risks faced by the Authority and the measures in place to mitigate them or meet them financially, as outlined in the Financial Risk Analysis at Appendix C.
- 3.18 Taking account of the level of risk within this Authority, the retention of a minimum level of general fund balances of between £3 million to £3.5 million is considered, at this stage, to be appropriate after taking into consideration the following:
- the impact of future general grant funding reductions on the Fire and Rescue Authority;
 - a significant modernisation programme which brings with it both financial and change management risks;
 - funding required to support the Estates Development Strategy;
 - the uncertainty regarding price and pay inflation, including energy prices and the impact of potential further changes in base rates;
 - uncertainty regarding the future funding for national projects;
 - the Financial Risk Analysis included at Appendix C.

Minimum Level of General Fund Balances

- 3.19 The estimated level of General Fund Balances as at 31st March 2012 and 31st March 2013 is set out at Appendix D, taking into account all uncommitted general balances. It can be seen that uncommitted general balances are estimated to be approximately £3.336 million by 31st March 2012, representing just over 5% of the proposed revenue budget for 2012/2013 and within the minimum range specified. Based on the Financial Risk Analysis attached to this report, this level of uncommitted general

balances is considered appropriate.

Earmarked Reserves

- 3.20 The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFS and Risk Analysis. A Statement of the Earmarked Reserves and Provisions is provided at Appendix E for information.
- 3.21 **It is recommended that the Authority considers the above and approves the revenue estimates for the year ended 31st March 2013 as detailed in Appendix A.**

4. MEDIUM TERM OUTLOOK

- 4.1 An updated MTFS is set out at Appendix F. This has been prepared taking account of all supporting Strategies and Plans and the following main areas:
- National Economic Context – announcements regarding future funding, settlements, precept expectations and national projects;
 - Local Funding Position:
 - the budget decisions made in finalising the 2012/2013 Revenue Budget;
 - the position and policies in relation to General Fund Balances and Major Reserves;
 - Spending Pressures and Commitments;
 - the revenue implications associated with the implementation of the IRMP;
 - the revenue implications of the Capital Programme, including the provision of a Revenue Contribution to Capital Outlay.
- 4.2 The projected budgets in 2013/2014 and 2014/2015 are based on a series of assumptions and there is a degree of uncertainty regarding a number of factors, including:
- the level of government grant support beyond 2012/2013;
 - the impact of the proposed new funding system that is to replace Formula Grant;
 - any changes to specific grants, e.g. transfer to general grant funding or cessation;
 - the level of pay awards;
 - the level of inflation;
 - the impact of national projects;
 - the level of the Council Tax Base in each district over the short to medium-term, which will, potentially, continue to be affected by the current economic position; and
 - the level of Council Tax Collection Fund deficits that create a budget pressure to the Fire Authority.
- 4.3 There are a range of options to be explored and, if necessary, implemented, to meet the demands placed on the budget, including:

- reducing the base budget, through the generation of further efficiency savings, implementing alternative financing options, or reducing services on a risk assessed basis;
- utilisation of balances to meet cost pressures and through other means to offset costs;
- generating additional income, including maximising resources through external funding streams;
- working with other Fire and Rescue Authorities to increase collaboration, co-operation and agree actions that will lead to improvements in efficiency and generate cost savings; and
- identifying areas of priority for additional investment if resources are available.

4.4 In accordance with Part 2 of the Local Government Act 2003 there is a requirement for the Finance Officer to report upon the robustness of the estimates and the minimum level of reserves. In making the statement, the Finance Officer places reliance on information provided to him by other officers of the Authority as part of the budget setting process. This process involves reasonable checks and other verification, which are undertaken in accordance with the overall system of internal control to validate the information provided.

4.5 A full risk analysis has been undertaken on the level of general balances and reserves held by the Authority. Further information is given in Appendices C, D and E regarding the adequacy of general balances and reserves.

4.6 The Finance Officer states:

'Based upon the information used in determining this Revenue Budget 2012/2013 report, including specifically:

- the Risk Analysis set out at Appendix C;
- the Statement of General Balances set out in Appendix D;
- the Earmarked Reserves and Provisions set out at Appendix E;
- the Medium Term Financial Position set out at Appendix F.

the Revenue Budget is considered robust and the level of reserves is considered to be sufficient for 2012/2013 after an assessment of the financial risks faced by the Authority has been taken into account.'

4.7 **It is recommended that Members note the Medium Term Financial Strategy and the Finance Officer's comments on the robustness of the estimates, the adequacy of reserves and the risks in the budget.**

5. FIRE AUTHORITY PRECEPT

Council Tax Options

- 5.1 With regard to precept levels, the government has retained its 'Capping and Reserve powers' but has introduced additional local powers for residents to veto 'excessive' council tax increases through a local referendum, which will apply for 2012/2013.
- 5.2 The Localism Act provides for the provision of referendums to veto excessive council tax increases i.e. excessive council tax increases can only occur where there is a clear mandate from local people. This effectively places a limit on council tax increases and, if authorities exceed the government limits, the public will be able to vote to agree or veto any considered 'excessive' increase.
- 5.3 The Government guideline increase for single tier Fire Authorities for 2012/2013 was 4.0%.
- 5.4 Included within SR10, the government provided £650m nationally to fund the implementation of a Council Tax freeze in 2011/2012 (equivalent to a council tax increase of 2.5%). This will be provided over the next four years. This equates to £597,580 for Tyne and Wear Fire and Rescue Authority and has been built in to the MTFs. The Government including this funding into Formula Grant from 2012/2013 may indicate it being consolidated in to future revenue grant settlements although this has not been confirmed.
- 5.5 The Government has also announced they will offer an additional one-off grant of 3% in 2012/2013 if Authorities continue to freeze their council tax. This would be £719,542 for Tyne and Wear Fire and Rescue Authority. Should the Authority decide to accept this grant, the additional funding will need to be used for one-off expenditure in 2012/2013.
- 5.6 Since the Draft Revenue Budget for 2012/2013 was presented to Members in January, final adjustments have been made to budgets and figures have been received in relation to Council Tax Bases and the Collection Fund positions of each of the billing authorities.
- 5.7 Taking these facts into account, alongside the revenue resources, the base budget and efficiency proposals in year, it is possible to construct a budget which would allow the Authority to freeze Council Tax in 2012/2013 at the same level as that set for 2011/2012.

Calculation of the Precept

- 5.8 The calculation of the precept takes the Authority's budget requirement and deducts contributions from Government in respect of Revenue Support Grant and Redistributed Non-Domestic Rates. Allowance also has to be made for the Authority's share of any surplus or deficit on the five District Council's collection funds.

5.9 The estimated balances at the year ending 31st March 2012 on the billing authorities' Council Tax Collection Funds are as follows:

	£
Gateshead	1,000
Newcastle	-126,311
North Tyneside	1,840
South Tyneside	11,329
Sunderland	30,844
Total	-81,298

It is of concern that the deficit position for Newcastle of £126k impacts adversely on the Fire Authority's revenue budget and that the position has worsened from the £17k deficit position reported last year.

5.10 Assuming a budget requirement of £55,568,767 is approved, the calculation of the precept is shown in the following table:

	£	£
Fire Authority's Budget Requirement		55,568,767
Less: Revenue Support Grant	602,690	
Redistributed Non-Domestic Rates	31,090,914	31,693,604
		23,875,163
Add: Estimated net deficit on Collection Fund at 31st March 2012		81,298
Amount Required from Precept		23,956,461

Council Tax Base

5.11 The 'council tax bases' of the five District Councils are used to calculate the proportion of the Fire Authority's total precept to be levied on each Authority. The tax base is the estimated full year equivalent number of chargeable 'Band D' dwellings with two or more liable adults in respect of which tax will be received.

5.12 The 'council tax bases' for 2012/2013, as notified to the Fire Authority, and the total precepts proposed to be levied are set out in the table below:

District Council	Council Tax Base	Precept
		£
Gateshead	59,150	4,327,414
Newcastle	77,957	5,703,334
North Tyneside	64,219	4,698,262
South Tyneside	44,925	3,286,713
Sunderland	81,202	5,940,738
Total	327,453	23,956,461

Calculation of Fire Authority’s Basic Council Tax

5.13 The Basic Council Tax for the Fire Authority is calculated by dividing the total precept by the aggregate of tax bases as shown below:

Precept	= Basic Council Tax
Total Council Tax Base	(at Band D)
 <u>£23,956,461</u>	 = £73.16
327,453	

5.14 A Basic Council Tax (at Band D) of £73.16 for the year 2012/2013 represents a 0% increase from the 2011/2012 level.

5.15 **Based on the Budget Requirement of £55,568,767 and a Council Tax of £73.16 it is recommended that the Authority adopts the following resolutions:**

That for the year ended 31st March 2013:

(i) the ‘council tax base’ for the whole of the Authority’s area be noted as 327,453;

(ii) the ‘basic amount of council tax’ be £73.16 and the amount of council tax for each category of dwelling be approved as follows:

Valuation Band	(Proportion of ‘Basic Amount’)	Council Tax
		£
A	6/9	48.77
B	7/9	56.90
C	8/9	65.03
D	9/9	73.16
E	11/9	89.42
F	13/9	105.68
G	15/9	121.93
H	18/9	146.32

REVENUE ESTIMATES 2012/2013

SUMMARY OF ESTIMATES

Actual 2010-11 £'000	Original Estimate 2011-12 £'000	Revised Estimate 2011-12 £'000	Original Estimate 2012-13 £'000
9,753	9,935	9,844	9,495
45,146	48,740	49,097	49,062
0	0	0	0
0	0	0	0
302	337	306	293
(74,281)	10	10	10
(111)	(220)	(220)	(247)
0	183	120	529
(933)	(957)	(957)	(981)
		Capital Financing Costs:	
2,025	1,781	1,771	1,790
(2,577)	(2,575)	(2,575)	(3,227)
		Pensions FRS17:	
35,210	680	680	150
43,861	(927)	(928)	(219)
58,395	56,987	57,148	56,655
946	(257)	(418)	(367)
0	(598)	(598)	(719)
59,341	56,132	56,132	55,569
		Less:	
4,510	7,601	7,601	603
31,059	24,590	24,590	31,091
46	38	38	(81)
35,615	32,229	32,229	31,613
23,726	23,903	23,903	23,956
324,619	326,726	326,726	327,453

COMMUNITY SAFETY

Actual 2010-11 £'000	Original Estimate 2011-12 £'000	Revised Estimate 2011-12 £'000		Original Estimate 2012-13 £'000
5,932	5,966	6,012	Employee Expenses	5,813
304	370	370	Premises Related Expenditure	387
94	201	201	Transport Related Expenditure	174
1,247	1,280	1,375	Supplies and Services	1,355
607	218	220	RCCO	381
2,468	2,581	2,487	Support Services	2,084
10,652	10,616	10,665	Total Expenditure	10,194
899	681	821	Less Income	699
9,753	9,935	9,844	Total Budget	9,495

FIRE FIGHTING & RESCUE OPERATIONS

Actual	Original	Revised		Original
2010-11	Estimate	Estimate		Estimate
£'000	2011-12	2011-12		2012-13
	£'000	£'000		£'000
26,525	30,990	31,174	Employee Expenses	30,057
1,892	1,801	1,801	Premises Related Expenditure	1,887
763	1,130	1,132	Transport Related Expenditure	803
6,548	6,581	7,373	Supplies and Services	7,323
3,285	1,178	1,194	RCCO	2,063
11,126	10,999	10,494	Support Services	10,976
50,139	52,679	53,168	Total Expenditure	53,109
4,993	3,939	4,071	Less Income	4,047
45,146	48,740	49,097	Total Budget	49,062

FIRE SERVICE EMERGENCY PLANNING

Actual 2010-11 £'000	Original Estimate 2011-12 £'000	Revised Estimate 2011-12 £'000		Original Estimate 2012-13 £'000
450	397	132	Employee Expenses	0
35	47	16	Premises Related Expenditure	0
8	8	3	Transport Related Expenditure	0
204	63	21	Supplies and Services	0
697	515	172	Total Expenditure	0
681	485	162	Less Income	0
16	30	10	Total Budget	0
(16)	(30)	(10)	Appropriation: Contribution to/from FRS17 Pensions Reserve	0
0	0	0	Total Budget	0

MANAGEMENT & SUPPORT SERVICES

Actual 2010-11 £'000	Original Estimate 2011-12 £'000	Revised Estimate 2011-12 £'000		Original Estimate 2012-13 £'000
10,210	10,133	9,945	Employee Expenses	9,577
129	175	180	Premises Related Expenditure	164
623	641	641	Transport Related Expenditure	645
0	0	25	RCCO	0
1,824	1,647	1,767	Supplies and Services	1,528
2,465	2,575	2,036	Capital Charges	2,620
15,251	15,171	14,594	Total Expenditure	14,534
15,251	15,171	14,594	Less Income	14,534
0	0	0	Total Budget	0

CORPORATE & DEMOCRATIC CORE

Actual 2010-11 £'000	Original Estimate 2011-12 £'000	Revised Estimate 2011-12 £'000		Original Estimate 2012-13 £'000
126	150	119	Supplies and Services	106
130	133	133	Cost of Member Services	132
46	54	54	Support Services	55
302	337	306	Total Expenditure	293
0	0	0	Less Income	0
302	337	306	Total Budget	293

Projected Pensions Account 2012/2013

EXPENDITURE	£	INCOME	£
Ongoing Pensions	19,368,331	Employers Contributions	4,941,693
Current and projected 2009/2010 retired firefighter pension costs		New Employers contributions, dependent upon which scheme, based on percentage of firefighter pay	
Lump Sum Payments	6,388,300	Employees Contributions	2,671,482
Lump sum amount paid to firefighters on retirements projected to occur in 2012/2013		Current firefighter contributions, dependent upon which scheme	
Ill Health Lump Sums	269,005	Ill Health Contributions	
Lump sum amount paid to firefighters retiring on ill health grounds		From 2006/2007 onwards, the Authority is required to contribute 4 x pensionable pay for higher-tier ill health retirements and 2 x pensionable pay for lower-tier retirements	
		Ill Health Contributions (2011/2012) -	
		Higher Tier	51,239
		Lower Tier	34,159
		Ill Health Contributions (2012/2013) -	
		Higher Tier	53,801
		Lower Tier	35,867
Transfers Out	-	Transfers In	242,638
Where firefighters transfer out of the firefighters pension scheme to another pension scheme, a cash transfer value is paid across to reflect the value of pension rights accrued		New recruits can transfer into the firefighters pension scheme and a sum to reflect the value of their existing pension rights earned is paid to the Authority upon transfer	
		Top Up Grant	17,994,755
		Grant to be received from the DCLG to balance the Pension Account	
	26,025,634		26,025,634

Medium Term Financial Strategy – Financial Risk Analysis***Impact of the outcome of SR10***

Risk is that the impact of the funding cuts as a result of SR10 has a significantly greater impact on the authority's financial position than currently envisaged as a result of the unknown factors.

This is unknown at this stage, but very prudent assumptions have been made in respect of the impact. The effects on the Authority's financial position will be kept under constant review so that remedial action can be taken at the earliest opportunity.

Inflation

Risk is that pay and price increases may exceed the levels provided for within the MTFs.

This is very unlikely to occur due to the realistic provisions made:

- Prudent provision has been made for all employees' pay awards;
- The government's previous guidance is that they expect public sector pay to be restricted in light of the latest economic downturn;
- Average forecasts for CPI and RPI are 2.6% and 3.70% respectively;
- Expenditure in respect of most of the budget heads can be either influenced or controlled.

Debt Charges

Risk is that Debt Charges will be greater than budgeted.

This is very unlikely to arise due to:

- the current level of variable rate debt is low in comparison to the fixed-rate level of debt;
- the impact of any interest rate changes is negligible in context of the overall financial position of the Authority;
- the economic outlook is that base rates are likely to remain low over the course of the coming year and the Treasury Management Strategy can be adjusted to minimise the impact of any significant increases;
- no new borrowing is currently programmed to be required.

Investment Interest

Risk is that income generated will not match budget provision

This is unlikely to arise in relation to investment income as a prudent rate of return has been included in the budget which reflects the investments made to date, the prevailing market conditions and the economic forecasts for the year ahead.

Other sources of income are small in the context of the overall budget.

Contingencies

Risk is that the contingency provision will be insufficient to meet the needs identified.

This is unlikely to occur due to:

- prudent estimates included for each category of contingency provision;
- specific contingencies are created for all known spending pressures;
- the total contingency provision is deemed sufficient in the context of the net revenue budget;
- past experience suggests an underspending against the contingency provision.

Risk Management

Risk is that all risks have not been identified and that major financial consequences may result.

This is very unlikely to occur due to:

- existence of the Bellwin Scheme;
- a corporate risk profile in place, which is regularly and formally reviewed, and action is taken to mitigate and manage risks;
- Authority risk management action plans developed;
- comprehensive self and external insurance arrangements in place;
- an adequate self insurance fund.

Financial Planning

Risk is that a major liability or commitment currently exists but has not been taken into account in the financial planning of the Authority.

This is unlikely to arise due to:

- the existence of a comprehensive Medium Term Financial Strategy process with regular updates during the year;
- benchmarking and networking with other senior finance staff in other Authorities who are likely to identify similar liabilities.

Revenue Budget - Budgetary Control

Risk is that the budget will be overspent in the year.

This is very unlikely to occur due to:

- monthly budget monitoring procedures;
- quarterly Revenue Budget Budgetary Control reviews undertaken, reported to the Authority and corrective action agreed or set in train;
- Financial Procedure Rules relating to delegated budgets provide for virements and carry forward of under / over spending to be used / met in the following financial year;
- clear budget management responsibilities in place;
- demonstrable track record.

Capital Programme Implications

Risk is that funding will not be available as planned or that over spending may occur.

This is unlikely to happen due to:

- prudent level of capital receipts retained;
- quarterly Capital Programme Budgetary Control reviews undertaken through the Asset Management Group, reported to the Authority and corrective action agreed or set in train;
- Revenue Contribution to Capital, Fire Capital Grant and prudential regime gives added flexibility in terms of financing the Capital Programme.

Reductions to the Revenue Budget

Risk is that planned reductions to the Revenue Budget will not occur or are unachievable.

This is unlikely to occur due to:

- the reductions to budgets planned have all been subject to due diligence and there are no significant barriers to implementation;
- the budgetary control processes that are in place will identify any shortfall and remedial action will be taken;
- contingencies exist to safeguard against the non-realisation of some of the efficiency reductions.

Availability of Other Funds

Risk is that the Authority could not call on any other funds to meet unforeseen liabilities.

This is very unlikely as the Authority has a range of other funds which, whilst earmarked, are not wholly committed, including the Development Reserve which could be used in an emergency.

Statement of General Balances

	£'000
Balance as at 1st April 2011	3,336
First Review 2011/2012:	
- Underspend on Leasing Budget	165
Second Review 2011/2012:	
- Underspend on Employee Budget	1,170
- Underspend on Premises Budget	19
Third Review 2011/2012:	
- Underspend on RCCO Budget	197
- Estimated provision to support service pressures	(485)
- Estimated provision for purchase of vehicles	(869)
- Transfer to Earmarked Reserves	(197)
Estimated Balance as at 31st March 2012	3,336
No planned usage in 2012/2013	0
Anticipated Balance as at 31st March 2013	3,336

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Estimated Opening Balance (1.4.12)	Estimated Movement in 2012/2013	Estimated Balance (31.3.13)
	£000	£000	£000
<p>Insurance Reserve Reserve held to protect the Authority from unexpected volatility from changes in legislation that could be retrospective, unknown exposures that may arise in the future, and to cover a possible shortfall in the eventual settlement in respect of MMI.</p>	887	0	887
<p>Development Reserve Reserve created to fund medium term and long term capital and revenue developments.</p>	14,655	-2,000	*12,655
<p>Early Retirements Reserve Reserve to cover future compensatory added years payments associated with an early retirement during 2002/2003. This ensures no ongoing revenue implications.</p>	38	0	38
<p>PFI Smoothing Reserve Reserve established to smooth the impact of the PFI scheme on the Authority's revenue budget over the 25 year life-span of the scheme.</p>	5,656	-248	5,408
<p>Contingency Planning Reserve Reserve to enable appropriate contingency arrangements to be put in place to ensure continued service delivery.</p>	2,250	0	2,250
<p>Budget Carry Forward Reserve Reserve established to fund the slippage of specific items of revenue expenditure.</p>	200	-200	0
<p>New Dimensions Reserve Reserve to be used in future years to provide for any adverse effect of potential changes in grant arrangements and to provide resources to support delivery of the Urban Search and Rescue response.</p>	432	0	432

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Estimated Opening Balance (1.4.12)	Estimated Movement in 2012/2013	Estimated Balance (31.3.13)
	£000	£000	£000
Community Safety Reserve Reserve to deliver community safety initiatives in future years.	250	0	250
Civil Emergency Reserve Reserve to enable the Authority to respond to a catastrophic event, locally or nationally.	200	0	200
Regional Control Centre (RCC) Reserve Reserve to provide a means of offsetting any costs associated with the RCC Project on the basis that the CLG position does not provide an absolute assurance to the Authority that all additional costs will be funded by CLG.	350	0	350
Carbon Management Plan Reserve Reserve to develop a Carbon Reduction Plan in order to make future savings in carbon emissions and energy bills.	288	0	288
Equality and Diversity Reserve Reserve to support the Authority's commitment to achieve higher equality and diversity recruitment targets.	101	-34	67
Organisational Change Reserve Reserve covers expected costs following a review of the organisational changes required for the Authority to operate more effectively.	600	-600	0
Insurance Provision The provision covers the value of known insurance risks.	174	0	174
Total	26,081	-3,082	22,999

* Further £8m is committed in future years.

MEDIUM TERM FINANCIAL STRATEGY 2011/2012 TO 2014/2015

Appendix F

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Approved Budget		59.36	59.36	59.36
Inflation		0.32	0.84	1.66
Turnover		(0.95)	(0.50)	(0.50)
Ill Health Early Retirements		(0.08)	(0.24)	(0.24)
Protection Adjustment		(0.15)	(0.15)	(0.15)
LGPS Deficiency Payments		0.04	0.06	0.08
New Fire Pension Scheme		(0.08)	(0.08)	(0.11)
Rates		0.18	0.26	0.34
NEFRA Collaborative PFI Scheme		(0.41)	(0.41)	(0.41)
Efficiency Savings				
- IRMP Efficiencies Achieved		(1.20)	(1.20)	(1.20)
- Delegated Budgets		0.33	0.33	0.33
- Recruits Course / Additional Development		(0.31)	(0.31)	0.00
- Leasing Costs		(0.75)	(0.75)	(0.75)
Indicative Budget	56.73	56.31	57.20	58.41
Resources Forecasted		56.31	53.20	51.07
Funding Gap		0.00	(4.00)	(7.34)
Percentage Change over Previous Year's Budget		-0.75%	1.59%	2.12%

The funding gap will be met from IRMP actions and further planned efficiencies

